

Make note of your premium rate

Be sure to look closely at the premium rate on your first quarter 2002 report form. On January 1, 2002, Premium Rate Table 4 became effective. There is a good chance that your first quarter 2002 rate is higher than on your fourth quarter 2001 report, when Premium Rate Table 6 was still in effect. Also, note that on all first quarter 2002 reports, line 6 for the Tennessee Job Skills Fee and line 7 for Job Skills Fee Interest are designated as "not applicable." This is because the Job Skills Fee is only collected when using Premium Rate Table 6.

Unemployment Insurance Trust Fund declines more than \$224 million in 2001

Tennessee's Unemployment Insurance Trust Fund fell more than \$224 million in 2001, from \$858.8 million on December 31, 2000, to \$634.3 million on December 31, 2001. This decline was the largest dollar drop in Trust Fund history and the largest percentage drop since 1982. In 1982 the Trust Fund dropped from \$146.2 million on December 31, 1981, to \$14.9 million on December 31, 1982. By 1983, the Trust Fund was insolvent, and Tennessee had to borrow \$60 million from the federal government to pay unemployment benefits in the first quarter. The 1983 General Assembly raised employer premiums and tightened benefit eligibility so that we were able to pay back the federal loan and end 1983 with \$64.9 million balance in the Trust Fund. Seven years later, by December 31, 1990, the Trust Fund balance had reached \$678.0 million.

We do not expect a repeat of 1983 thanks to economic indicators and 2001 legislation that eliminated ineffectual Premium Rate Tables, thereby allowing higher Premium Tables to trigger on more quickly in response to economic downturns. Projections show the Trust Fund continuing its decline in 2002 and 2003, and the fund rebuilding by the end of 2004. It will be years, however, before we again reach the May 1999 balance of \$938 million.

Premium Rate Table 4 became effective for the first quarter 2002 because the Trust Fund balance was below \$675 million on December 31, 2001.

Why are employers paying higher rates during a time when money is tighter? While an \$800 to \$900 million Trust Fund sounded high, that was not sufficient to sustain us through this economic downturn. During the good economic years, when benefits were low, employer premium rates were even lower. As the average weekly wage and the average weekly benefit amount increased benefit payouts, the average premium rate on total wages decreased to the point that annual premiums were not covering the cost of benefit payouts. Since 1996, benefit payments from the Trust Fund have been greater than premium collections into the fund. The Trust Fund did remain stable through third quarter 2000, but only because of the Federal interest paid on the balance in the fund. With even a slight downturn in the economy, the Trust Fund started to decline. That decline increased with the recession beginning last March.

(NOTE: In the last *Dateline*, we noted that if the United States Congress passed part of a much-debated economic stimulus package, the premium rate increase possibly would not go into effect on January 1, 2002. That stimulus package was not passed. The department continues to monitor possible federal legislation.)

Routing Box

- ☐ Personnel Director
- ☐ Manager
- ☐ Payroll Officer
- ☐ Other

Are you reporting wages correctly?

- ☞ Only the first \$7,000 an employer pays to each individual in a calendar year is taxable; however, an employee's earnings of more than \$7,000 must continue to be reported.
- ☞ Deductions from an employee's pay for 401(K) deferred compensation and Section 125 cafeteria plans are reportable and taxable for Tennessee Unemployment Insurance purposes.
- ☞ An employer does *not* report or pay premiums on wages earned by a student who is enrolled at a nonprofit or public educational institution that combines work experience with academic instruction in a full-time program for credit at such institution *and* such institution has so certified to the employer.
- ☞ An individual proprietor does *not* report or pay premiums on wages paid to himself/herself, his/her son or daughter under the age of 18, his/her spouse, or his/her father or mother.
- ☞ In a partnership, the salaries and draws of partners are *not* reportable. Wages are *not* reportable on wages of family members having an exempt relationship to all partners.

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Reporting (cont.)

☞ Officers' salaries and draws from a corporation are reportable and taxable for Tennessee Unemployment Insurance purposes. This applies to all corporations, including Sub-Chapter S corporations.

☞ The salaries of the members/owners of an LLC (Limited Liability Company) are reportable and taxable for Tennessee unemployment insurance purposes if the LLC is treated as a corporation for federal income tax purposes by the Internal Revenue Service. If the IRS treats the LLC as a partnership or individual proprietorship (in the case of a single-member LLC), the same state reporting rules apply as those listed above for a partnership or individual proprietorship.

If you have questions or think you have been reporting employees in error, please contact your area Employer Accounts Office or call Employer Accounts Operations at (615)741-1619 or 1-800-344-8337.

Unemployment Insurance reporting questions? Problems?

Many times employers don't know whom to contact when they have questions or problems with their quarterly reports. Listed below are the primary Employer Accounts units and their functions. This same information is now also available on our updated Web site: <http://www.state.tn.us/labor-wfd>.

Employer Services Unit (615) 741-2486

- Determines whether an employer is liable for Unemployment Insurance
- Processes applications for accounts
- Processes changes to an account such as address, phone numbers, etc.
- Processes changes in business ownership
- Determines Unemployment Insurance premium rates

Report Audit Unit (615) 741-3120

- Processes all incoming mail, checks, and reports
- Answers questions relating to federal (IRS) certification

Employer Accounting Unit (615) 741-1619

- Insures correct posting of premium reports and payments
- Processes refunds and adjustments to employers accounts
- Answers questions relating to premium reports and account balances

Wage Records Unit (615) 741-3280

- Processes wage reports (paper and magnetic media)
- Processes corrections to individual Social Security Numbers
- Researches wage discrepancies on claims for benefits
- Answers questions relating to wage reports

Delinquency Control Unit (615) 741-5103

- Handles issues and questions relating to liens
- Handles issues and questions relating to bankruptcies

Please call any of these units with your questions or contact your local Employer Accounts office listed in your telephone directory under the Department of Labor & Workforce Development.

Reminders From Employer Accounts

Employers must return both the Wage Report (LB-0851) and Premium Report (LB-0456) mailed to them by the department. The Wage Report (LB-0851) is required to be returned even when submitting a computer generated listing of employee wage earnings. Failure to return the Wage Report (LB-0851) may delay processing of your return and cause additional correspondence with our agency.

Employers with fewer than 250 wage items may attach a computer generated list of employee wage earnings. To request instructions on acceptable computer-generated listings of quarterly employee wage earnings, contact our Wage Records Unit at (615) 741-3280.

Occasionally, employers overlook filing the Wage and Premium Report when they have no payroll during a quarter. A report must be filed for quarters in which the employer has no payroll. Penalties are assessed for failure to file reports in a timely manner - even a no-payroll report. The penalty is \$10 a month (or portion of a month) for which the report is late, up to a maximum of \$50 for each delinquent or incomplete report.

Notice for benefit charge requests

If you need duplicate benefit charge statements, the Benefit Charge Unit can provide this information for you; however, there will be a charge of **\$25 per quarter** for the research and duplication of this information.

Please send requests for duplicate benefit charge information to the **Benefit Charge Unit, PO Box 24827, Nashville TN 37202-4827**

Numbers

TN unemployment rate (Jan. 2002) 5.4%

TN unemployment rate (Jan. 2001) 4.1%

US unemployment rate (Jan. 2002) 5.6%

US unemployment rate (Jan. 2001) 4.2%

UI trust fund (Jan. 2002 - estimated)

\$573.0 million

UI trust fund (Jan. 2001)

\$824.4 million

The Tennessee Department of Labor & Workforce Development is an equal opportunity employer. Auxiliary aids and services are available upon request to individuals with disabilities.

El Departamento del Trabajo y Desarrollo de la Fuerza Laboral de Tennessee es un patrono que ofrece igualdad de empleo. Ayudas auxiliares están disponibles para individuos con impedimentos.



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